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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

DEC 28 2016

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

DOCKETED BY

GB

E-01345A-16-0123

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE COMPANY
FOR RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

Docket No. E-01345A-16-0036

**NOTICE OF FILING DIRECT
TESTIMONY OF JEFF
SCHLEGEL OF SOUTHWEST
ENERGY EFFICIENCY
PROJECT**

Southwest Energy Efficiency Project ("SWEEP"), through its undersigned counsel,
hereby provides notice that it has this day filed the attached direct testimony of Jeff Schlegel.

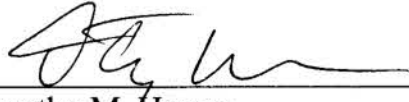
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1 DATED this 28th day of December, 2016.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST


4 By 
5 Timothy M. Hogan
6 514 W. Roosevelt Street
7 Phoenix, Arizona 85003
8 *Attorneys for Southwest Energy Efficiency*
9 *Project*

10 ORIGINAL and 13 COPIES of
11 the foregoing filed this 28th day
12 of December, 2016, with:

13 Docketing Supervisor
14 Docket Control
15 Arizona Corporation Commission
16 1200 W. Washington
17 Phoenix, AZ 85007

18 COPIES of the foregoing
19 electronically mailed this
20 28th day of December, 2016, to:

21 All Parties of Record

22 
23
24
25

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
A HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN.

Docket No. E-01345A-16-0036

Direct Testimony of

Jeff Schlegel

Southwest Energy Efficiency Project (SWEEP)

December 28, 2016

The Southwest Energy Efficiency Project (SWEET) provides the revenue requirements direct testimony of Mr. Jeff Schlegel below.

The Ratepayer Costs of APS Energy Efficiency Programs Should be Recovered in Base Rates

Q. What is SWEET's proposal for recovery of APS energy efficiency program funding in base rates?

A. SWEET recommends that energy efficiency program funding should be expensed in base rates annually. Energy efficiency is one of the fastest growing energy resources for meeting APS customer needs and projected load growth, and it is the least cost resource. Therefore, energy efficiency should be adequately funded through a stable, fully embedded funding and cost recovery mechanism in base rates. Recovering the ratepayer costs of energy efficiency programs in base rates would be consistent with the treatment of other energy resources, whose costs are not recovered through a surcharge nor explicitly identified in the current format of utility bills.

The Demand Side Management (DSM) adjustor mechanism should still remain in place, but it should be used as an adjustor to recover or refund any energy efficiency funding amounts that may vary above or below the amount of energy efficiency funding in base rates.

Q. Does SWEET support the APS proposal to include a significant portion of energy efficiency funding in base rates?

A. In the past, SWEET has supported the \$10 million of APS energy efficiency funding currently in base rates, and SWEET recommends increasing that amount so that a significant portion of total energy efficiency funding will be recovered in base rates.

The Transparency of Energy Resource Costs to Customers Should be Improved

Q. Does APS currently show the ratepayer costs of other energy resources on the customer bill to provide transparency for customers?

A. No. Currently, APS does not provide any such transparency regarding the ratepayer costs of other major energy resources – on the utility bill or in any other manner. In addition, APS shows the adjustor cost recovery on the utility bill for some resources (energy efficiency), while not disclosing to customers the ratepayer costs of other energy resources such as natural gas and coal plants, and recovering their costs in base rates rather than through an adjustor.

Q. What are SWEET's objectives for its proposal?

A. SWEET has two objectives: (1) provide transparency regarding the ratepayer costs of all major energy resources in a consistent manner, and (2) treat the recovery of

ratepayer costs of all major energy resources in a consistent and equitable manner, by recovering the costs in base rates – as recommended above. SWEEP respectfully requests that APS, parties, and organizations – including the Commission – who state that they are in favor of transparency of costs for customers and equitable treatment of cost recovery for energy resources, should consider the facts and address the issues directly. It is time to improve the inequitable and non-transparent treatment of resource costs.

Q. How should transparency of ratepayer costs for energy resources be addressed?

A. SWEEP recommends that APS provide information to customers on the ratepayer costs of major energy resources at all times via the web, and quarterly or annually via a bill insert, email, and/or other communication – and not on the customer bill itself. This cost information could include a simple and transparent pie chart that illustrates how each dollar of the utility bill is spent, with the ratepayer costs associated with each energy resource (and other costs) clearly delineated. SWEEP also recommends simplifying the customer utility bill by presenting fewer cost categories and treating all energy resources equitably, meaning not disclosing the costs of any of the individual major energy resources on the utility bill.

Q. Does SWEEP have a recommendation for the Commission?

A. Yes. The Commission should order APS, within 120 days of the Commission order in this proceeding, to file a proposal to provide information to customers on the ratepayer costs of major energy resources at all times via the web, and quarterly or annually via a bill insert, email, and/or other communication. APS should convene a stakeholder group to offer input on how best to provide the information, and to review and comment on options and work products.

Q. Does this conclude your revenue requirements direct testimony?

A. Yes.